

**SUMMARY ANALYSIS OF AMENDED BILL**Author: Swanson Analyst: Nicole Kwon Bill Number: AB 579Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: January 7, 2008Attorney: Douglas Powers Sponsor: \_\_\_\_\_**SUBJECT:** Sales Or Use Tax For Qualified Property Credit/Local Agency Military Base Recovery Area

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 21, 2007, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would modify the Local Agency Military Base Recovery Area (LAMBRA) sales or use tax credit.

**SUMMARY OF AMENDMENTS**

The January 7, 2008, amendments would delete provisions relating to extending the initial designation period for LAMBRAs from 8 to 15 years and modify the LAMBRA business expense deduction and sales or use tax credit by eliminating the current law provisions requiring a taxpayer that conducts a trade or business within a LAMBRA to have a net increase in jobs within a specified time.

As a result of the amendments, the "This Bill" discussions and the "Economic Impact" have been revised and are provided below. An updated "Effective/Operative Date" section and a new "Policy Concern" section are also provided below.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

1/9/08

## **EFFECTIVE/OPERATIVE DATE**

If enacted in 2008, this bill would be effective and operative for taxable years beginning on or after January 1, 2009.

## **POSITION**

Pending.

## **ANALYSIS**

### THIS BILL

This bill would modify the LAMBRA business expense deduction and sales or use tax credit by eliminating the current law provisions requiring a taxpayer that conducts a trade or business within a LAMBRA to have a net increase in jobs of one or more employees in the LAMBRA for the first two taxable years.

## **ECONOMIC IMPACT**

### Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following revenue losses.

Estimated Revenue Impact of AB 579 Effective For Tax Years BOA 01/01/2009 Assumed Enactment After 6/30/2008		
2008/09	2009/10	2010/2011
- \$150,000	- \$250,000	- \$250,000

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

### Revenue Discussion

The revenue impact of this bill would be the amount of increase in LAMBRA tax incentives applied to reduce personal and corporate income or franchise tax liabilities.

Data indicate that the total LAMBRA sales or use tax credit applied to reduce personal and corporate income or franchise tax has been less than \$250,000 per year. The tax effect of the LAMBRA business expense deduction applied to reduce personal and corporate income or franchise tax has been less than \$15,000 per year. An estimate was made for removing the current increase in jobs restriction for LAMBRA, which would result in negligible revenue losses of less than \$250,000 per year.

## **POLICY CONCERN**

LAMBRAs were created presumably to replace jobs lost by military base closures. Therefore, the elimination of the jobs increase requirement proposed by this bill appears to be inconsistent with the goal of job replacement.

## **LEGISLATIVE STAFF CONTACT**

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